

<p align="center">STATE OF MONTANA</p> <p align="center">COMPLIANCE SUPPLEMENT FOR AUDITS OF</p> <p align="center">LOCAL GOVERNMENT ENTITIES</p>	REF: CNTY-16
	PAGE: 1 of 2
<p>PROGRAM/SUBJECT: Counties - County Collection and Remittance of Revenues for the State and Other Governmental Entities</p>	

INFORMATION CONTACT: Montana Department of Administration
 Local Government Services Bureau
 Phone Number: (406) 841-2909

GENERAL INFORMATION

County treasurers collect revenues/receipts for many other governmental entities as well as the county government itself. These include incorporated cities and towns, school districts, special purpose districts, and the State of Montana. Revenues for some entities, such as incorporated cities and towns and the State of Montana, are remitted by the county treasurer to the entities monthly. For other entities such as school districts and some types of special purpose districts, the county treasurers retain the money in agency funds and act as the banker for the entities. **(Note: The 2007 legislature amended MCA 7-33-2105 for clarification. Effective October 1, 2007, that section requires that “all money received by the [rural fire district] trustees must be deposited in the county treasurer's office and credited to the fire district.”)**

Some of these moneys received by the county treasurers are recorded partially as revenue to the county, with the balance being receipted into one or more agency funds for distribution to various taxing units, including the State. An example of these types of receipts would be property taxes. Property taxes and certain other receipts are distributed based on the mill levies of the county and other taxing units for which the county treasurer collects taxes. That portion received as a result of tax levies imposed by the county for county funds (general, road, bridge, poor, etc.) is recorded as revenue to the county in the appropriate fund. Other taxes collected as a result of tax levies imposed by other taxing units or by the county for other taxing units is not considered revenue to the county, and is receipted into various agency funds. Examples would be taxes imposed by incorporated cities and towns, school districts, the State university system, and the county for mandatory school equalization levies.

Another example would be certain fines collected by justice court which, by statute, are distributed 50% to the county general fund and 50% to the State. The 50% distributed to the county general fund would be recorded as revenue in that fund. The 50% required to be remitted to the State would be receipted into an agency fund and remitted to the State monthly. It would not be recorded as revenue to the county. Other fees and license collections are treated similarly.

PROGRAM/SUBJECT: Counties - County Collection and Remittance of Revenues for the State and Other Governmental Entities	REF: CNTY-16
	PAGE: 2 of 2

GENERAL INFORMATION - continued

Other sources are not considered revenue to the county at all under generally accepted accounting principles. Examples would be grant or entitlement moneys received for a school district or special purpose district, as well as certain fines and permit fees that are distributed 100% to the State.

Moneys collected that are required by statute to be remitted to the State are initially credited to a designated agency fund by the county treasurer. The Budgetary, Accounting and Reporting System (BARS) for Montana Cities, Towns and Counties has assigned specific fund numbers and names for the required agency funds. The moneys in these funds are then required by statute to be remitted to the State monthly.

Although those moneys collected by the county treasurer for other governments such as the State are not recorded as revenue for the county under generally accepted accounting principles, they are receipted for by the county, credited to agency funds maintained by the county, and deposited in county bank accounts and invested along with other county moneys. The receipt of these moneys by the county treasurer is required by State statute and the distribution of these moneys by the county treasurer must be made in the manner required by State statute.

Auditors are required by the standard audit contract to “include tests for compliance with state laws relating to receipts and disbursements of agency funds maintained by the Entity, as required by Section 2-7-505”. (Standard Audit Contract, revision 3/07, 3.c.(4)). The auditor should perform sufficient testing of the receipt and distribution of these moneys to ensure that the county is complying with applicable laws and regulations.

Compliance supplement *CNTY-3 - Counties - Revenues/Receipts* contains a listing of the most common sources of revenues/receipts collected by counties, including receipts related to motor vehicles. This listing includes collections that are recorded as GAAP revenue for the counties as well as other moneys that are collected by the counties for the State and other governmental entities. **This listing, and the first three “Compliance Requirements” and “Suggested Audit Procedures” of CNTY-3 should be utilized in testing for the counties’ compliance with laws relating to the collection and distribution of moneys collected by the county for the State and other governmental entities.**